

AGP has announced its annual result where it posted profit after tax of Rs1.6bn (EPS: Rs5.17) in CY20 as compared to profit after tax of Rs1.4bn (EPS: Rs5.17) in same period last year, up by 9.8% YoY.

The company has posted the revenue of Rs6.9bn against Rs6.3bn in SPLY, recording a growth of 11.1% YoY. We note that this growth is attributed to the increase in volumetric sales.

Gross margin has been squeezed to 55.6% as compared to 58.5% during SPLY on account of higher input cost.

SG&A expenses have been increased by 8.5% YoY to Rs1.4bn as compared to Rs1.3bn during SPLY.

Finance cost has been decreased by 33.1% YoY to Rs152mn as compared to Rs227mn during SPLY on account of lower interest rate.

Lastly, the effective taxation has been decreased to 17.6% as compared to 20.7% during SPLY.

AGP is currently trading at CY20E PE of 21.14x. Despite growth in profitability, the valuation of the company seems expensive at current level. We suggest our investors to **SELL** the scrip with a DCF based Dec-21 TP of Rs110 which provides a downside potential of 13%.

Rupees' millions	4QCY20	4QCY19	YoY	CY20	CY19	YoY
Net Sales	1,955	1,682	16.2% ▲	6,946	6,253	11.1% ▲
Cost of Sales	787	668	17.7% ▲	3,086	2,594	19.0% ▲
Gross Profit	1,168	1,014	15.3% ▲	3,861	3,659	5.5% ▲
SG&A Expenses	603	411	46.8% ▲	1,404	1,294	8.5% ▲
Other Expenses	35	38	8.7% ▼	183	167	9.7% ▲
Operating Profit	530	564	6.1% ▼	2,047	2,040	0.3% ▲
Other Income	12	3	357.0% ▲	32	11	180.4% ▲
Finance Cost	30	60	50.2% ▼	152	227	33.1% ▼
Profit Before Taxation	512	507	1.1% ▲	1,927	1,825	5.6% ▲
Taxation	94	124	24.4% ▼	339	378	10.3% ▼
Profit After Taxation	418	383	9.4% ▲	1,587	1,446	9.8% ▲
Earnings Per Share	1.49	1.37	9.4% ▲	5.67	5.17	9.8% ▲
Dividend	1.00	2.00		2.00	3.25	
Bonus	0%	0%		0%	0%	
Closing Period: 13 Nov 20 - 20 Nov 20						
Gross Margin	59.8%	60.3%	0.5% ▼	55.6%	58.5%	2.9% ▼
SG&A Expenses to Sales	30.8%	24.4%	6.4% ▲	20.2%	20.7%	0.5% ▼
Other Expenses to Sales	1.8%	2.3%	0.5% ▼	2.6%	2.7%	0.0% ▼
Other Income to Sales	0.6%	0.2%	0.5% ▲	0.5%	0.2%	0.3% ▲
Effective Taxation	18.3%	24.5%	6.2% ▼	17.6%	20.7%	3.1% ▼
Net Margin	21.4%	22.7%	1.3% ▼	22.9%	23.1%	0.3% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	AGP
TP - Dec 21	110.00
LDGP	126.50
Upside	-13%
Free Float (mn)	84
Market Cap. (Rs.mn)	35,420

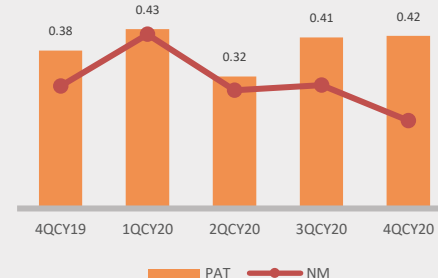
AGP vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Net sales	3,748	4,206	4,725	5,382	6,253	6,946	7,704	8,628	9,664
Cost of sale	1,586	1,746	1,851	2,341	2,594	3,086	3,097	3,469	3,885
Gross profit	2,162	2,460	2,874	3,041	3,659	3,861	4,607	5,160	5,779
Administration expenses	126	109	134	127	158	227	328	368	412
Marketing and selling expenses	698	763	1,050	1,153	1,294	1,404	2,048	2,294	2,570
Other operating expenses	69	102	100	152	167	183	138	154	173
Operating Profit	1,269	1,487	1,591	1,609	2,040	2,047	2,092	2,343	2,625
Other operating income	20	42	20	17	11	32	48	53	60
Finance cost	515	361	277	200	227	152	90	34	9
Profit before taxation	773	1,168	1,333	1,426	1,825	1,927	2,050	2,363	2,676
Taxation	130	81	100	219	378	339	375	432	490
Profit after taxation	643	1,087	1,234	1,207	1,446	1,587	1,675	1,930	2,186
EPS	2.30	3.88	4.41	4.31	5.17	5.67	5.98	6.89	7.81

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Net sales	0.0%	12.2%	12.3%	13.9%	16.2%	11.1%	10.9%	12.0%	12.0%
Cost of sale	0.0%	10.1%	6.0%	26.5%	10.8%	19.0%	0.4%	12.0%	12.0%
Gross profit	0.0%	13.8%	16.8%	5.8%	20.3%	5.5%	19.3%	12.0%	12.0%
Administration expenses	0.0%	-13.3%	23.2%	-5.1%	24.1%	43.6%	44.8%	12.0%	12.0%
Marketing and selling expenses	0.0%	9.2%	37.6%	9.9%	12.2%	8.5%	45.9%	12.0%	12.0%
Other operating expenses	0.0%	46.8%	-1.9%	52.1%	10.2%	9.7%	-24.7%	12.0%	12.0%
Operating Profit	0.0%	17.2%	7.0%	1.1%	26.8%	0.3%	2.2%	12.0%	12.0%
Other operating income	0.0%	112.8%	-53.6%	-13.0%	-33.6%	180.4%	51.2%	12.0%	12.0%
Finance cost	0.0%	-30.0%	-23.3%	-27.8%	13.5%	-33.1%	-40.9%	-61.7%	-75.2%
Profit before taxation	0.0%	51.1%	14.2%	6.9%	28.0%	5.6%	6.4%	15.2%	13.3%
Taxation	0.0%	-37.7%	23.2%	119.9%	72.8%	-10.3%	10.6%	15.2%	13.3%
Profit after taxation	0.0%	69.0%	13.5%	-2.2%	19.9%	9.8%	5.5%	15.2%	13.3%
EPS	0.0%	69.0%	13.5%	-2.2%	19.9%	9.8%	5.5%	15.2%	13.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
GP Margin	%	57.68	58.49	60.83	56.50	58.52	55.58	59.80	59.80	59.80
NP Margin	%	17.17	25.85	26.11	22.42	23.13	22.85	21.74	22.37	22.62
OP Margin	%	33.85	35.35	33.67	29.89	32.63	29.47	27.16	27.16	27.16
ROE	%	20.17	25.42	22.39	18.95	19.38	18.76	18.30	19.10	19.57
ROCE	%	9.81	16.64	17.08	15.84	17.53	18.12	18.15	18.97	19.44
ROA	%	7.70	12.77	14.47	13.46	15.06	0.64	0.67	0.76	0.85
Liquidity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Current	x	0.86	0.86	1.27	1.39	1.64	179.79	195.55	240.45	217.03
Acid-test	x	0.39	0.43	0.87	0.95	1.14	1.32	1.48	2.03	2.03
Cash to current liab.	x	0.37	0.25	0.02	0.02	0.09	178.03	193.59	237.83	214.45
Activity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Inventory Turnover	x	4	3	3	3	3	3	3	3	3
Inventory Days		97	107	132	124	143	143	143	143	143
Receivables Days		27	32	38	35	33	32	32	32	32
Payables Days		98	137	158	103	119	119	119	119	119
Operating Cycle		26	2	12	56	56	56	56	56	56
Investment Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
EPS	Rs.	2.30	3.88	4.41	4.31	5.17	5.67	5.98	6.89	7.81
DPS	Rs.	0.00	0.00	0.00	1.25	3.25	2.00	3.50	3.50	4.00
Div. Yield	%	0.00	0.00	0.00	0.99	2.57	1.58	2.77	2.77	3.16
Dividend Cover	x	n/a	n/a	n/a	3.45	1.59	2.83	1.71	1.97	1.95
BVPS	Rs.	11.39	15.28	19.68	22.74	26.65	30.22	32.70	36.10	39.90
Payout	%	0.00	0.00	0.00	29.00	62.92	35.28	58.50	50.77	51.23
Retention	%	100.00	100.00	100.00	71.00	37.08	64.72	41.50	49.23	48.77
No. of Shares	'000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000
P/E		55.05	32.58	28.71	29.35	24.49	22.31	21.14	18.35	16.20
Sales per share		13.39	15.02	16.87	19.22	22.33	24.81	27.51	30.82	34.51
P/BV		11.10	8.28	6.43	5.56	4.75	4.19	3.87	3.50	3.17
Price to Sales		8.21	7.32	6.52	5.72	4.92	4.43	4.00	3.57	3.19
Gearing Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
Debt to Equity	x	0.00	0.00	0.48	0.34	0.23	0.14	0.05	0.00	0.00
Interest Cover	x	2.46	4.12	5.75	8.05	8.99	13.48	23.32	68.12	307.20

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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